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FROM: MOSCOW - CORRECTED PAGE 1

TO: Secretary of State

NO: 526, SEPTEMBER 11, 1 PM

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SENT DEPARTMENT 526, REPEATED INFORMATION PARIS 117, LONDON 127

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EMBASSY BELIEVES PRINCIPAL SOVIET MOTIVE IS SECOND OF THOSE LISTED DEPTTEL 279. WHILE ADVANTAGE WOULD BE ON SOVIET SIDE SO FAR AS STRICTLY TECHNOLOGICAL INFORMATION IS CONCERNED BELIEVE THIS COULD BE MORE THAN OFFSET IF WE PROPERLY EXPLOIT OPPORTUNITY TO ACQUIRE DETAILED INFORMATION ON OPERATION SOVIET ECONOMY. FULLY AGREE WE SHOULD EXPRESS WILLINGNESS IN PRINCIPLE INVESTIGATION THIS TYPE EXCHANGE. EMBASSY HAS CONSIDERED POSSIBLE APPROACH OF ATTEMPTING CONCLUDE GENERAL AGREEMENT TO COVER SUCH EXCHANGES. WHILE WOULD BE ADVANTAGEOUS TO HAVE ADVANCE AGREEMENT TO WHICH SPECIALISTS COULD REFER IN OVERCOMING RESTRICTIONS TO WHICH THEY WILL DOUBTLESS BE SUBJECTED, THIS APPROACH APPEARS HAVE SERIOUS DISADVANTAGES NOT ONLY IN INDICATING SENSITIVE NATURE OF INFORMATION WE SEEK BUT ALSO IN RISK THAT ANY POINTS OMITTED WOULD FURNISH SOVIETS EXCUSE FOR NON-PERFORMANCE.

WE INCLINED BELIEVE BEST METHOD WOULD BE TO SUGGEST ONE OR TWO TRIAL EXCHANGES MAKING CLEAR THAT EXPANSION PROGRAM WOULD DEPEND UPON SUCCESSFUL OPERATION FIRST EXCHANGES.

IMPORTANT AREAS AT WHICH WE MIGHT AIM ARE WORKING RELATIONSHIPS BETWEEN PLANT AND SOVNARKHOZ, ROLE OF PARTY AND TRADE UNIONS, FINANCING AND PRICING ARRANGEMENTS, ETC.

NOT CLEAR WHETHER SOVIETS CONTEMPLATE HAVEING EACH SPECIALIST VISIT WIDE NUMBER OF PLANTS OR MAKE MORE THOROUGH STUDY OF ONE. ALSO WHETHER THEY WOULD OPERATE AS INDIVIDUALS OR IN TEAMS. BELIEVE OUR PURPOSES BEST SERVED BY EXTENDED VISIT ONE OR TWO PLANTS AND IN TEAMS IN ORDER THAT WE COULD INCLUDE AT LEAST

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ONE MAN EACH TEAM WITH SUITABLE ECONOMIC BACKGROUND AND ONE WITH SUFFICIENT KNOWLEDGE OF RUSSIAN. BELIEVE INFORMATION TO BE GAINED WOULD JUSTIFY GOVERNMENT PROVIDING OR MEETING EXPENSES ONE OR TWO QUALIFIED TEAM MEMBERS IF INDUSTRY UNABLE FURNISH THEM. WOULD ALSO SUGGEST EACH MEMBER BE GIVEN AT LEAST SOME RUSSIAN TRAINING AND FOR THIS PURPOSE URGE PROMPT SELECTION PERSONNEL FOR ONE OR TWO TEAMS. SUGGEST ONE OF THESE MIGHT BE FERROUS METALLURGY WITH MAGNITOGORSK AND FAIRLESS PLANT AS POSSIBLE EXCHANGE.

SUGGEST DEPARTMENT HAVE PRELIMINARY TALK TO DEVELOP SOVIET THINKING FURTHER AND INDICATE WE WOULD BE PREPARED DISCUSS THIS IN OCTOBER TALKS.

THIRD ALTERNATIVE APPROACH WHICH MIGHT BE EXPLORED IN OCTOBER TALKS WOULD BE TO BE RELATIVELY FRANK AND STATE THAT WE HAVE LITTLE INTEREST IN SOVIET TECHNOLOGY BUT WOULD BE PREPARED TO EXCHANGE THEIR ACCESS TO US TECHNOLOGY IF RETURNED FOR ACCESS TO SOVIET MANAGEMENT TECHNIQUES IN SIMILAR INDUSTRIES IN ORDER TO ENSURE THAT OUR PEOPLE HAVE ACCESS TO INFORMATION WE CONSIDER IMPORTANT. A VARIANT OF THIS WOULD BE INSISTENCE ON TEAM CONCEPT TO INCLUDE SPECIALISTS IN MANAGEMENT FUNCTIONS.

BELIEVE THAT JUDGMENT OF SUCCESS OR FAILURE OF SOVIET ECONOMIC SYSTEM OVER NEXT FEW YEARS, PARTICULARLY IN VIEW OF INDUSTRIAL DECENTRALIZATION, IS OF SUCH IMPORTANCE IN MAKING DECISIONS ON MAJOR ASPECTS OF OUR FOREIGN POLICY THAT WE WOULD BE FULLY JUSTIFIED IN GOING TO GREAT LENGTHS AND EXPENSE IF NECESSARY TO EXPLOIT THIS OPPORTUNITY.

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